

## Message Text

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PAGE 01 BAGHDA 01430 01 OF 02 241139Z

ACTION NEA-10

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FM USINT BAGHDAD

TO USDA FAS WASHDC

INFO SECSTATE WASHDC 4903

AMEMBASSY DAMASCUS

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FROM DEVGON OF FAS FOR NOVOTNY, G&F

DAMASCUS FOR AGATT.

E.O. 11652: N/A

TAGS: EAGR, IZ

SUBJECT: IRAQ-GRAIN SITUATION 1977/78

1. THIS REPORT BASED LARGELY ON RELATIVELY FRANK AND (WHEN IT SUITED THEM) CANDID CONVERSATIONS WITH ACTG. DIRECTOR GENERAL, GRAIN BOARD OF IRAQ, MINISTRY OF TRADE: ASST. DIRECTOR GENERAL, STATE ANIMAL FEED CO, MINISTRY OF AGRICULTURE; AND AN IRAQI BUSINESSMAN WHO OWNS LARGES PRIVATE FEED MILLS IN IRAQ, AS WELL AS EXTENSIVE PIONEERING ADVANCE WORK DONE BY FSO KEISWETTER AND FSL TOPAKIAN OF USINT.

2. CROP PRODUCTION, A. WHEAT. ADVERSE WEATHER THROUGHOUT CROP CYCLE, PARTICULARLY LACK OF PRECIPITATION DURING GERMINATION AND EARLY GROWING SEASON TOOK ITS TOLL OF IRAQI 1977 WHEAT PRODUCTION. FINAL PRODUCTION RESULTS FOR WHEAT JUST HARVESTED IN MOST OF COUNTRY EXCEPT AREA BORDERING IRANIAN AZERBAJAN NOT OFFICIALLY TABULATED. MINISTRY OF AGRICULTURE OFFICIALS HAD AT ONE TIME APPARENTLY ESTIMATED PRODUCTION AS LOW AS  
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PAGE 02 BAGHDA 01430 01 OF 02 241139Z

700,000 TONS. THAT WOULD HAVE BEEN WORST IN PAST 16 YEARS. GRAIN BOARD (GOI PURCHASING ARM FOR DOMESTIC AND OVER-SEAS WHEAT) ESTIMATES CROP BETWEEN 800-900,000 TONS, A NOT UNUSUAL SIZE IN LIGHT OF RECURRING ON-OFF PATTERN OF PAST YEARS. MID-POINT OF 845,000 TONS IS PROBABLY CLOSEST FINAL OUTTURN. GRAIN BOARD EXPECTS PROCURE 350,000 TONS OF LOCAL CROP AT

PRICES RANGING TO MAXIMUM 48 IRAQI DINARS (EXCHANGE RATE NEARLY CONSTANT AT US\$3.40 DOLLARS EQUALLING ONE I.D.). AVERAGE DOMESTIC WHEAT PURCHASE PRICE FOR 77 WHEAT ESTIMATED AT 45 I.D., TWO I.D. MORE THAN LEAST YEAR (NOT CONSIDERED MUCH OF AN INCENTIVE INCREASE). COMMENT: SINCE GRAIN BOARD STARTED ACCELERATED IMPORTS IN FEB 77 (DISCUSSED LATER THIS CABLE UNDER IMPORTS) AND FACT THAT (A) CURRENT GOVT. OWNED COVERED STORAGE CAPACITY LIMITED TO 400,000 TONS, (B) UNMEASURED PROPENSITY OF FARMERS TO RETAIN ENOUGH STOCKS FOR ON-FARM USE AND NEEDS OF VILLAGE NON-FARM NEIGHBORS, AND (C), EVEN MORE IMPORTANTLY, FARMERS DESIRE HOLD ADEQUATE RESERVES IN BAD YEARS FOR UP TO TWO YEARS SEED NEEDS, IT SEEMS THAT GRAIN BOARD IS SOMEWHAT OPTIMISTIC IN ESTIMATING QUANTITY PROCURABLE LOCALLY THIS YEAR. GOI HAS BEGUN, AS IN PAST 3-4 YEARS, STORING WHEAT IN UNCOVERED SPACES, AT SPORTFIELDS, AND AT RACE COURSES. END COMMENT.

3. RICE PRODUCTION FORECAST AT 170,000 TONS, PADDY BASIS. SECOND CONSECUTIVE GOOD HARVEST EXPECTED LARGELY AS RESULT OF INCREASED ACREAGE (EXACT DATA UNAVAILABLE) AND, EVEN MORE IMPORTANT, AVAILABILITY LARGER WATER FLOW DOWN EUPHRATES RIVER. (BACKGROUND: TURKEY AND TO LARGER EXTENT SYRIA HAD ALLEGEDLY DIVERTED MASSIVE VOLUME TO FILL THEIR NEWLY CREATED DAMS UP RIVER CAUSING SEVERE WATER LOSS TO IRAQ IN 1974-75). LIMITED OFFICIAL USE

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PAGE 03 BAGHDA 01430 01 OF 02 241139Z

USING SCHATZ'S 1976 ESTIMATED 66.6 MILLING RATE, IRAQI MILLED RICE PRODUCTION PROJECTED AT 113,000 TONS.

4. COARSE GRAINS PRODUCTION IN 1977: BARLEY, 600,000 TONS; CORN (UNSHELLED) 65,000, COMPARED TO 55,000 ALSO UNSHELLED IN 1976; SORGHUM (WHITE?), 4,000; AND MILLET, 12,000.

#### 5. IMPORTS - WHEAT

A) IN ANTICIPATION OF "BAD" WHEAT CROP, GRAIN BOARD WITH DUE ADVICE AND CONSENT OTHER GOI AGENCIES ACCELERATED CY77 WHEAT IMPORTS IN FEB 77. MONTHLY IMPORT LEVELS BOOSTED FROM UNDER 100,000 TO ABOUT 125,000 TONS, TO DATE PURCHASES BY COUNTRY OF ORIGIN FOLLOW: AUSTRALIA 600,000 (THIS NOW MAY BE 700,000 SINCE 100,000 OPTIONAL ORIGIN INITIALLY BELIEVED TO BE FROM US HAS BEEN SWITCHED BY SUPPLIER -REPORTEDLY DREYFUS, PARIS - TO AUSTRALIA); CANADA, 400,000; TURKEY, 120,000; ARGENTINA, 50,000 AND US, 100,000 (HRW) - EXCLUDING ABOVE NOTED SWITCH. TOTAL 1,375,000 TONS. ADDITIONAL PURCHASES FOR CY77 DELIVERY LIKELY FOR ANOTHER 130 TO 230,000 TONS. CY77 GRAND TOTAL 1.4 TO 1.5 MILLION TONS. HIGHER TOTAL MORE PROBABLE.

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PAGE 01 BAGHDA 01430 02 OF 02 241225Z  
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LIMITED OFFICIAL USE BAGHDAD SECTION 2 OF 2 BAGHDAD 1430

6. PURCHASES IN "NEXT SEVERAL MONTHS" ALSO PLANNED FOR 1977 DELIVERY, EXACT QUANTITY NOT KNOWN SINCE IT NOT YET DETERMINED. REVIEW IRAQI SUPPLY AND DEMAND, HOWEVER, INDICATES THAT IRAQ WOULD NEED TO IMPORT 600-700,000 TONS IN FIRST SIX MONTHS OF 1978 TILL NEXT YEAR'S HARVEST BEGINS IN JULY. (SEE ALSO PARA 11 CONCERNING WHEAT UTILIZATION).

7. SUPPLEMENTAL BACKGROUND: IRAQ BUYS WHEAT AGAINST TENDERS TLEXED TO SELECTED SUPPLIER'S LIST. (IDENTITY NEITHER VOLUNTEERED NOR ASKED FOR BUT IN UNRELATED VOLUNTARY COMMENT LATER IN CONVERSATION GRAIN BOARD OFFICIAL SAID NAMES ON SELECTED LIST CHECKED AGAINST US LIST OF SUPPLIERS FURNISHED BY US INTERESTS SECTION.)

8. WITHOUT GIVING BREAKDOWN BY COUNTRY OF ORIGIN OF ACTUAL SHIPMENTS (OFF-LOADED OR ON-WAY) IRAQ HAS ALREADY RECEIVED 750-800,000 TONS TO-DATE AGAINST CY77 PURCHASES. THIS INCLUDES TOTAL OF US AND ARGENTINA PURCHASES AND 90,000 TONS TURKISH WHEAT.

9. RICE- BREAKDOWN OF 1976 IMPORTS; US NO 2, 4 PERCENT BROKEN, 60,000 TONS; PAKISTAN MASMATI, 80,000; THAI, 60,000; TOTAL 200,000 TONS. CY77 PURCHASE INDIA BASMATI 5,000; PAKISTAN  
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PAGE 02 BAGHDA 01430 02 OF 02 241225Z

BASAMIT 80-1000,000; THAI 60,000 AND US 40,000.

EXCEPT FOR NORTHERN PROVINCES WHERE OVER LONG PERIOD PEOPLE GOT USED TO RICE FROM PRC AND HAVE SINCE SWITCHED PREFERENCE TO HAI RICE, ORDER OF PREFERENCE IN REST OF COUNTRY IS FOR IRAQI AMBER, IMPORTED MASMATI AND US LONG GRAIN. IRAQIS STILL PREFER CLEANLINESS AND QUALITY OF RECEIVED FROM US BUT PRICE AND POLITICS DICTATES OTHERWISE. INDIAN MASMATI WOULD BE NEW ENTRY THIS YEAR.

10. COARSE GRAINS - GOI HAS PURCHASED 16,000 TONS TURKISH BARLEY AND TOTAL IMPORTS NOT EXPECTED TO GO BEYOND 40,000 TONS - MOSTLY FOR GRAIN BOARD STOCKS. WITH START UP TWO TO THREE MONTHS AGO OF TWO NEW 10 TON/HR CAPACITY EACH) GOVT. OWNED (MIN.AG.) FEED MILLS AS WELL AS ONE OTHER OLDER (5 TON/HR CAPACITY) FEED MILL, THE IRAQI STATE CO FOR ANIMAL FEED MILLS WILL IMPORT MIN. 90,000 TONS US NO. 3 YC IN 1977/78 (JULY-JUNE). PRIVATE IRAQI FIRMS WILL IMPORT AN ADDITIONAL 10,000 TONS THAI CORN. MARKET FOR CORN, SOYMEAL AND OTHER FEEDS INGREDIENTS EXPECTED TO GO FAR HIGHER IN COMING YEARS. GOI EXPECTS TOTAL MIXED FEED DEMAND IN 1978 OF 400,000 TONS BUT PRIVATE SECTOR SOURCE BELIEVES 1977 DEMAND OF 200,000 TONS AND GROWTH NOT EXCEEDING 25 PERCENT IN 1978. STATE CO. FOR ANIMAL FEEDS EXPECTS X(DREAMILY) ACCORDING PRIVATE SOURCE) 1 MILLION TONS MIXED FEED DEMAND BY 1980. CORN USAGE CONSERVATIVELY PLACED BETWEEN 25-35 PERCENT, SOYMEAL 12-15 PERCENT. CONFIRMATION FINALLY ALSO OBTAINED THAT DAMAGED DOMESTICALLY PRODUCED WHEAT (ABOUT 50,000 TONS) WILL BE USED THIS SEASON IN GOVT. FEED MILLS. WHEAT USED FOR ON-FARM FEED PLACED AT ANOTHER 20-25,000 TONS.

11. ESTIMATED CONSUMPTION AND STOCKS (IN THOUSAND MT.)

(A) CONSUMPTION. (I) WHEAT: 77/78 UPDATE WITH 76/77 LIMITED OFFICIAL USE

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PAGE 03 BAGHDA 01430 02 OF 02 241225Z

REVISIONS IN PARENTHESES. FEED 50(25), TOTAL 2095(1900); BREAKDOWN OF OTHER FEED AS FOLLOWS: SEED 130(123) ON-FARM FOOD 169(310), COMMERCIAL MARKET FOOD AND INDUSTRIAL 564(844), STOCK INCREASE 150(0). (II) FEED GRAINS: WITH EXCEPTION OF BARLEY WHICH 85.90 PERCENT USED FOR HUMAN CONSUMPTION, ALL OTHER FEED GRAINS USED ON FARM ANIMAL FEEDING OR AS INGREDIENT FOR MIXED FEED. (B) STOCKS. GOVERNMENT HAS CRASH PROGRAM TO EXPAND STORAGE CAPACITY FROM PRESENT 400,000 TONS TO 1.3 MILLION TONS BY 1980. IN 1977/78 GOI INCREASING WHEAT CARRYOVER RESERVE STOCK TO 250,000 TONS AND BARLEY 40,000. NO OTHER CHANGES TO G/F P& SD DATA.

12. DECLASSIFY ON RECEIPT

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## Message Attributes

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